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SUBJECT: GOG FORMULATES NEW MINING LEGISLATION

REF: (A) ATHENS 10168; (B) 75 ATHENS A-222;

(C) 75 ATHENS A-176; (D) 75 ATHENS 2244

SUMMARY: IN RECENT MONTHS GOG HAS MANIFESTED ITS INTEREST IN PROMOTING DEVELOPMENT OF MINERALS SECTOR IN A VARIETY OF WAYS. MOST RECENT IS SUBMISSION THIS WEEK TO PARLIMENT OF A MINING LEGISLATION PACKAGE CONSISTING OF THREE DRAFT BILLS TO (1) REVISE THE MININGCODE AND (2) IMPROVE PUBLIC AND PRIVATE RESERACH IN THE SECTOR. PRIMARY GOG MOTIVATION IS DESIRE TO EFFECT AS RAPIDLY AS POSSIBLE THE STRUCTURAL CHANGES NECESSARY TO SPUR DEVELOPMENT AND AMELIORATE BALANCE OF PAYMENTS PROBLEM. A BASIC ELEMENT OF THE NEW LEGISLATION IS A GREATER MEASURE OF GOVERNMENT PARTICIPATION AND CONTROL IN THE SECTOR, INCLUDING SOME RESTRICTIONS ON AND CLOSER SUPERVISION OF FOREIGN INTERESTS.

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VOCAL OPPOSITION OF MINING INDUSTRY SPOKESMEN AND EMPLOYEE GROUPS RESULTED IN SOME MODIFICATIONS OF PRO-

GRAM BEFORE INTRODUCTION ON FLOOR OF PARLIAMENT. PASOK AND COMMUNISTS HAVE SHARPLY CRITICISED THE LEGISLATION AS INADEQUATE AND INEQUITABLE, WITH KKE (EXTERIOR) CALLING FOR NATIONALIZATION. IT IS PREMATURE TO JUDGE EXACTLY HOW ALREADY ESTABLISHED AND POTENTIAL FUTURE FOREIGN INVESTORS IN MINERALS SECTOR MIGHT BE AFFECTED, BUT IT IS NOTEWORTHY THAT FINANCE MINISTER DEVLETOGLOU REITERATED DURING PARLIAMENTARY DISCUSSION THE GOG'S INTEREST IN FOREIGN INVESTMENT. END SUMMARY.

1. THE GOG HAS SUBMITTED TO PARLIAMENT A NEW MINING LEGISLATION PACKAGE, WHICH IS AN INTEGRAL PART OF THE GOVERNMENT'S OVERALL MINERALS POLICY. GOG HAS PLACED CONSIDERABLE EMPHASIS ON MINING SECTOR POTENTIAL AS PART OF ITS DRIVE TO PROMOTE ECONOMIC DEVELOPMENT AND EXPORTS. A VARIETY OF GOG SPOKESMEN, MOST RECENTLY BANK OF GREECE GOVERNOR ZOLOTAS IN HIS DECEMBER 19 SPEECH TO THE FEDERATION OF GREEK INDUSTRIES (REF A), HAVE STRESSED IN PUBLIC FORA THE IMPORTANCE OF THE MINING SECTOR TO GREECE'S FUTURE. THE HELLENIC INDUSTRIAL AND INVESTMENT MINING COMPANY, RECENTLY ESTABLISHED TO ADMINISTER THE MUCH PUBLICIZED BANKING CONSORTIUM, WILL HAVE THE MINERALS SECTOR AS A PRIME TARGET, AND MINING WILL RECEIVE SPECIAL ATTENTION IN THE 1976-80 FIVE-YEAR PLAN (WHICH IS UNDER PREPARATION) PRIME MINISTER CARAMANLIS UNDERSCORED THE HIGH PRIORITY WHICH THE GOVERNMENT GIVES TO THIS SECTOR PERSONALLY TOURING EXPLORATION SITES IN NORTHERN GREECE IN LATE NOVEMBER (REF B).

2. THE NEW LEGISLATIVE PACKAGE, ACCORDING TO INDUSTRY MINISTER KONOFAGHOS, AIMS AT COMBINING PRIVATE AND STATE EFFORTS TO MAXIMIZE PRODUCTIVITY IN THIS KEY AREA. FOUR DRAFT BILLS FORM THE NUCLEUS OF THE GOVERNMENT PROGRAM, THREE OF WHICH WERE SUBMITTED TO THE FULL PARLIAMENT ON FEBRUARY 16. A FOURTH BILL, PERTAINING TO RESERACH AND DEVELOPMENT OF HYDROCARBONS, IS STILL UNDER PREPARATION.

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3. OF THE THREE BILLS ALREADY SUBMITTED TO PARLIAMENT, ONE WOULD REVISE THE MINING CODE (L.D. 210/1973), AND THE SECOND AND THIRD ARE AIMED AT A MORE EFFICIENT ORGANIZATION OF RESEARCH EFFORTS. MAJOR NEW FEATURES OF THESE THREE DRAFT BILLS, WHICH REFER TO ALL MINERALS EXCEPT HYDROCARBONS, ARE AS FOLLOWS. (A) CLOSER GOVERNMENTAL SUPERVISION OF DEVELOPMENT EFFORTS AND RESERACH PROGRAMS WOULD BE INTRODUCED INCLUDING THE CREATION OF A MINERALS SECTOR DATA BANK AND THE POWER TO TERMINATE CONCESSION RIGHTS FOR NON-PERFORMANCE OF RESEARCH

OBLIGATIONS OR OTHER TRANSGRESSIONS OF THE MINING CODE. THE LEGISLATION WOULD ESTABLISH AN INSTITUTE OF GEOLOGICAL AND MINERAL RESEARCH (IGME) TO ACT AS THE KEY PUBLIC RESEARCH AND SUPERVISORY AGENCY OF THE MINERALS SECTOR, WITH THE CONCOMITANT ABOLITION OF THE NATIONAL INSTITUTE OF GEOLOGICAL AND MINERAL RESEARCH (IN ORDER TO ALLOW THE COMPLETE REVAMPING OF THE INSTITUTION). (B) THE STATE WOULD BE EMPOWERED TO OBLIGE MINE OPERATORS TO SUPPLY SUFFICIENT QUANTITIES OF ORE TO LOCAL, GREEK-OWNED, METALLURGICAL INDUSTRIES. (C) CONCESSION RIGHTS OR LEASES OF STATE MINES WOULD BE LIMITED TO 50 YEARS, WITH ALLOWANCE FOR ANOTHER 25, AND IN EXCEPTIONAL CASES A SECOND 25 YEARS. (AT THE PRESENT TIME NO LIMITATION EXISTS). (D) FOREIGN INDIVIDUALS OR LEGAL ENTITIES WILL BE EXCLUDED FROM ACQUIRING MINING EXPLORATION PERMITS. CONCESSION APPLICATIONS BY FOREIGN INTERESTS WOULD BE REFERRED TO THE COUNCIL OF MINISTERS FOR DECISION. (AT PRESENT, ONLY THE INDUSTRY MINISTER'S APPROVAL IS REQUIRED.) (E) RESERVE OR IDLE MINES ARE TO BE CLOSELY REGULATED BY THE GOVERNMENT TO PREVENT HOARDING AND PROMOTE MAXIMUM PRODUCTION. (F) A HIGHER PRIORITY WILL BE GIVEN TO ENVIRONMENTAL PROTECTION.

4. THE THREE DRAFT BILLS WERE ORIGINALLY INTRODUCED TO PARLIAMENT FOR COMMITTEE EXAMINATION ON JANUARY 13, 1976, BUT WERE ALMOST IMMEDIATELY WITHDRAWN BY THE GOVERNMENT FOR REVISION, PRIMARILY DUE TO THE STRONG NEGATIVE REACTION OF THE PRIVATE SECTOR. THE ASSOCIATION OF MINING ENTERPRISES, THE MOST IMPORTANT INDUSTRIAL ORGANIZATION IN THE SECTOR, APPEALED TO THE PRIME MINISTER AS WELL AS TO THE MINISTERS OF INDUSTRY AND COORDINATION FOR LIMITED OFFICIAL USE
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THE DELETION OF ELEMENTS WHICH THE ASSOCIATION REGARDED AS HARMFUL TO BOTH PRIVATE INITIATIVE AND EFFICIENT MINING PRACTICES. MINING INTERESTS WERE PARTICULARLY CRITICAL OF THE PROVISION OBLIGING OPERATORS TO MAKE AVAILABLE SUFFICIENT ORE FOR ALL LOCALLY ESTABLISHED METALLURGICAL INDUSTRIES, AND THE GOG SUBSEQUENTLY RESTRICTED THIS TO APPLY ONLY TO GREEK-OWNED INDUSTRIES. THE ASSOCIATION REMAINS UNHAPPY

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WITH THE IMPOSITION OF LIMITATIONS ON THE DURATION OF MINE CONCESSIONS AND LEASE RIGHTS, ARGUING THAT THIS WILL LEAD TO OPPORTUNISTIC MINING OF ONLY THE RICHEST AND MOST EASILY ACCESSIBLE DEPOSITS. GOVERNMENT OFFICIALS BELIEVE THIS PROVISION WILL SPUR MORE RAPID DEVELOPMENT OF THE SECTOR AND PREVENT MONOPOLISTIC PRACTICES. THE MINING COMPANIES ALSO OBJECT TO CERTAIN PROPOSED RESPONSIBILITIES OF THE NEW INSTITUTE OF GEOLOGICAL AND MINERAL RESEARCH (IGME), PARTICULARLY ITS POWER TO OVERSEE PRIVATE DEVELOPMENT AND RESEARCH, IN FACT, IGME HAS COME UNDER BROAD ATTACK FROM THE TECHNICAL CHAMBER, FROM EMPLOYEES OF THE CURRENT INSTITUTE WHICH IT WOULD REPLACE, FROM UNIVERSITY SOURCES, AND FROM THE GENERAL CONFEDERATION OF GREEK LABOR, MOSTLY DUE TO PRACTICAL EMPLOYMENT CONSIDERATIONS. A MAJOR BONE OF CONTENTION WITH PROFESSIONAL GROUPS IS THE SUGGESTED PARTICIPATION OF FRENCH PERSONNEL OF THE BUREAU DES RECHERCHES GEOLOGIQUES ET MINIERES IN HIGH LEVEL CAPACITY AT A NEW AGENCY.

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5. A DRAFT LAW IS BEING PREPARED ESTABLISHING PROCEDURES GOVERNING OIL EXPLORATION AND DEVELOPMENT ON GREEK TERRITORY. THE NEW LAW WILL VEST THE GREEK STATE WITH EXCLUSIVE RIGHTS FOR OIL EXPLORATION

AND DEVELOPMENT AND WILL GOVERN; FUTURE GRANTS OF BOTH ONSHORE AND OFFSHORE CONTRACTS. THE GREEK STATE WILL REPORTEDLY ASSIGN OIL EXPLORATION TO COMPANIES ON THE BASIS OF INTERNATIONAL TENDERS OR THROUGH DIRECT AWARDS TO THE NEWLY CREATED PUBLIC PETROLEUM CORPORATION (REF C), WHICH IN TURN MAY ASSIGN PROJECTS TO COMPANIES ON THE BASIS OF INTERNATIONAL TENDERS OR OFFERS BY SELECTED BIDDERS. OIL DEVELOPMENT CONTRACTS SIGNED BY THE GREEK STATE WILL PROVIDE EITHER FOR PRODUCTION SHARING OR THE ESTABLISHMENT OF A STATE CONTROLLED CORPORATION WITH MINORITY LOCAL OR FOREIGN SHAREHOLDERS, WITH PROFITS AND BUSINESS RISKS TO BE SHARED IN PROPORTION TO EQUITY PARTICIPATION. THERE ARE CURRENTLY OVER 50 PENDING OIL CONCESSION APPLICATIONS FROM FOREIGN AND A FEW GREEK COMPANIES. IT IS ANTICIPATED THAT THE NEW LAW WILL PROVIDE THE BASIS FOR THE REVISION OF THE CURRENT CONTRACTS OF AN-CAR OIL, L.V.O., AND SERRES/ PETMAR, MOST PROBABLY ALONG THE LINES ALREADY ESTABLISHED IN THE OCEANIC REVISION (REF D).

6. COMMENT: IT IS UNCERTAIN HOW LONG THE PARLIAMENTARY DEBATES WILL CONTINUE, AND THEREFORE, PREMATURE TO PREDICT EXACTLY WHAT FINAL FORM AND IMPACT THESE BILLS WILL HAVE. HOWEVER, THEY CERTAINLY SERVE TO CONFIRM THE SERIOUSNESS OF THE GOVERNMENT'S COMMITMENT TO FOCUS ON THE RAPID GROWTH OF THE MINERAL SECTOR, AND IT IS APPARENT THAT THIS EFFORT WILL INCLUDE A GREATER MEASURE OF GOVERNMENT PARTICIPATION AND CONTROL THAN EVER BEFORE. SOME PRIVATE MINING INTERESTS CLAIM THIS EXPANDED GOVERNMENTAL ROLE REFLECTS A SIGNIFICANT MOVE TO THE LEFT BY PRIME MINISTER CARAMANLIS. PANHELLENIC SOCIALIST MOVEMENT LEADER ANDREAS PAPANDREOU AND COMMUNIST SPOKESMEN, ON THE OTHER HAND, HAVE SHARPLY CRITICIZED THE LEGISLATION AS INADEQUATE AND FAVORING A FEW LARGE GREEK AND FOREIGN FIRMS, AND KKE (EXTERIOR) HAS PREDICTABLY CALLED FOR NATIONALIZATION OF THE ENTIRE MINING SECTOR. REMARKS OF GOERGE MAVROS, LEADER OF UNION OF LIMITED OFFICIAL USE

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DEMOCRATIC CENTER (MAIN OPPOSITION PARTY), SEEMED GENERALLY SUPPORTIVE OF GOVERNMENT PROGRAM. MAVROS EMPHASIZED THE NEED FOR GREATER NATIONAL CONTROL OVER MINING OPERATIONS AND SUGGESTED ESTABLISHMENT OF A NEW MINISTRY OF ENERGY AND MINES. WE BELIEVE THAT GOG IS MOTIVATED NOT BY PHILOSOPHICAL BUT PRACTICAL CONSIDERATIONS, PRIMARILY THE NEED TO EFFECT THE STRUCTURAL CHANGES NECESSARY TO SPUR DEVELOPMENT AND PUT GREECE ON SOLID GROUND FOR ITS BROADER PARTICIPATION IN THE EUROPEAN COMMUNITY, AND TO AMELIORATE BALANCE OF PAYMENT PROBLEMS THROUGH GREATER MINERAL SECTOR EXPORTS.

7. ALTHOUGH THE BILLS ALSO IMPLY A CLOSER SUPERVISION
OF FOREIGN INVOLVEMENT IN THE MINERALS SECTOR, THIS DOES
NOT INDICATE A SLACKENING OF INTEREST IN FOREIGN INVEST-
MENT. IT IS NOTEWORTHY THAT FINANCE
MINISTER DEVLETOGLOU STRESSED GOG'S INTEREST IN IN-
CREASED FOREIGN INVESTMENT DURING PARLIAMENTARY DISCUSSIONS
OF THE BILLS. US FIRMS ALREADY ESTABLISHED HERE WOULD,
OF COURSE, BE LIABLE TO THE SAME NEW RESTRICTIONS AS
GREEK COMPANIES, BUT WE SEE NO REASON TO BELEIVE THAT
THESE OR POTENTIAL FUTURE US INVESTORS WILL BE DISCRIM-
INATED AGAINST BY THE NEW PROGRAM.
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